



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0616
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Title:	Allow parimutuel wagering on fantasy sports leagues
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Primary Sponsor:	McChesney, Bill
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Status:	As Introduced
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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$2,100,760	\$2,100,760	\$2,127,020	\$2,153,607
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$2,100,760	\$2,100,760	\$2,127,020	\$2,153,607
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: This bill generates revenue for the Board of Horse Racing state special revenue account through parimutual wagering on fantasy sports leagues. The estimated revenue increase is over \$2 million each year, and the administration costs are taken out of these funds.

FISCAL ANALYSIS

Assumptions:

Department of Livestock

- For purposes of this fiscal note the total population in Montana is assumed to be 454,736 males and females between 18-65 years of age or roughly 227,000 males and 227,000 females.
- It is estimated that 20% of the males and 2% of females will participate an average of 40 weeks per year and pay an estimated \$6 per wager. Using this methodology, 45,500 males (227,000 * .2) and 4,540

($227,000 * .02$) will play for a total weekly wager base of $49,400 \times \$6$ per wager = \$299,640 per week. The weekly earnings multiplied by estimated 40 week season is \$11,985,600 ($\$299,640 * 40$).

3. Under this bill, 74% or \$8,869,344 ($.74 * \$11,985,600 = \$8,869,344$) of total revenue generated is to be returned to the betters. The remaining \$3,116,000 ($.26 * \$11,985,600 = \$3,116,000$) is referred to as the takeout. The takeout revenue is distributed as follows:
 - 15% to the parimutuel facility licensee
 - 24% to the simulcast parimutuel network licensee
 - 61% to the Board of Horse Racing (BOHR) state special revenue for administration and other purposes.
4. The BOHR state special revenue account is estimated to receive \$1,900,760 ($.61 * \$3,116,000$) from the takeout.
5. The increased revenue for horse racing will impact local communities, and it is estimated that five additional race facilities will require regulation. The increase in facilities will increase race days by 80. The increased regulatory cost due to this is estimated at \$100,000.
6. Due to increased race days and facilities, the BOHR licenses are assumed to increase by 2,500 licenses at an average cost of \$30 per licenses. This will generate \$75,000 of state special revenue annually.
7. The increase in race days and facilities will also increase the revenue BOHR will receive. An estimated \$25,000 derived from 1% of \$2,500,000 increased parimutual handle (1% of the amount wagered).
8. Total revenues are estimated to be \$2,100,760 ($\$1,900,760 + \$100,000 + \$75,000 + \$25,000$) in FY 2008 and FY 2009. An inflation factor of 2.5% was applied to FY 2010 and FY 2011.
9. The bill will be responsible for an estimated increase of 60 sites conducting parimutual fantasy sports wagering. This increased activity requires regulation. The BOHR will require 3.00 FTE to provide these regulatory services. These FTE include 1.00 grade 15 Administrative Officer, 1.00 FTE grade 12 accountant, and a 1.00 FTE aggregate for exempt race stewards. The hourly is \$19.56 for the Officer and \$14.86 for the accountant both at 2,080 hours in a work year and benefits at 20%. The stewards are aggregate short term workers and are compensated at \$1 per race day. It is anticipated that they will work 474 race days. Total personal service costs are anticipated at \$149,934. An inflation factor of 2.5% was applied to FY 2010 and FY 2011.
10. Operational costs for each year are \$36,370 from fantasy sports wagering. This includes: \$30,000 for rent, \$4,875 for travel, and \$1,495 for lodging. One-time only operational costs of \$12,750 for rules publication and \$117,000 agency legal services are added in FY 2008. An inflation factor of 2.5% was applied to FY 2010 and FY 2011.
11. Funds collected in the bill are statutorily appropriated. The funds collected under this bill, not used for administrative expenses, will be distributed for live race purposes. An estimated \$1,784,706 in FY 2008, \$1,914,456 in FY 2009, \$1,938,387 in FY 2010, and \$1,962,616 in FY 2011 will be distributed for this purpose. The statutory appropriation appears to comply with the recommendation of 17-1-508, MCA.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	3.00	3.00	3.00	3.00
<u>Expenditures:</u>				
Personal Services	\$149,934	\$149,934	\$151,808	\$153,706
Operating Expenses	<u>\$1,950,826</u>	<u>\$1,950,826</u>	<u>\$1,975,212</u>	<u>\$1,999,901</u>
TOTAL Expenditures	<u><u>\$2,100,760</u></u>	<u><u>\$2,100,760</u></u>	<u><u>\$2,127,020</u></u>	<u><u>\$2,153,607</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$2,100,760</u>	<u>\$2,100,760</u>	<u>\$2,127,020</u>	<u>\$2,153,607</u>
TOTAL Funding of Exp.	<u><u>\$2,100,760</u></u>	<u><u>\$2,100,760</u></u>	<u><u>\$2,127,020</u></u>	<u><u>\$2,153,607</u></u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$2,100,760</u>	<u>\$2,100,760</u>	<u>\$2,127,020</u>	<u>\$2,153,607</u>
TOTAL Revenues	<u><u>\$2,100,760</u></u>	<u><u>\$2,100,760</u></u>	<u><u>\$2,127,020</u></u>	<u><u>\$2,153,607</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date